

**IN THE SPECIFICATION:**

Please replace paragraph [0001] with the following amended paragraph:

[0001] This application is a continuation of United States patent application serial number 09/848,900, filed May 4, 2001, now U.S. Patent No. 6,708,769, issued March 23, 2004, which claims benefit of United States provisional patent application serial number 60/202,335, filed May 5, 2000, which is herein incorporated by reference.

Please replace paragraph [0038] with the following amended paragraph:

[0038] When drilling a lateral wellbore with liner, undersized liner may be used during the formation of the lateral wellbore to facilitate the operation and thereafter, when the wellbore is formed, the liner can be expanded to increase its diameter to more closely match the inside diameter of the lateral wellbore. Enlargement of the liner is typically accomplished by insertion of a selective expansion device into the lateral wellbore and subsequent actuation of the device which places an outward force on the wall of the liner. Moving the actuated device axially in the liner creates a section of enlarged liner. Figure 6A is a section view of a lateral wellbore 10 drilled with liner 300 and having a selective expansion tool 310 inserted therein on a separate tubular string 312 for enlarging the diameter of the liner. In the figure, the selective expansion tool 310 is run into the lateral wellbore where it is then actuated and urged towards the window 315 of the wellbore, enlarging the liner to a size adequate to line the lateral wellbore for cementing therein. Compliant rollers 116 (Figure 1) of the expansion tool 310 may alternatively be cone-shaped to facilitate a gradual enlargement of the liner as the expansion tool moves therethrough. In Figure 6B, another section view of a lateral wellbore 10, the undersized liner 300[12] has been expanded up to and through the window in the vertical casing in a manner that has sealed an annular area 320 between the exterior of the liner and the window opening. After removal of the selective expansion tool 310, the liner 300[12] can be severed at the window leaving a sealed lateral wellbore extending from the central wellbore.

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Please replace paragraph [0041] with the following amended paragraph:

[0041] Figure 8 is a section view of a wellbore 10 wherein a liner [1]200 is provided with a two-piece mill/drill [1]205 disposed at the end thereof, the liner having a bent portion [1]215 at the lower end which directs the mill/drill [1]205 to a predetermined area of the wellbore casing [1]220 where a window will be formed. In this embodiment, the liner is non-rotating and the mill/drill [1]205 rotates independently thereof, powered by either a downhole motor [1]210 thereabove or a rotary unit located at the surface of the well (not shown). To cooperate with the bent liner portion, downhole motor [1]210 may have a bent housing. As described herein, the mill/drill is a two-piece assembly with a center portion [1]207 that can be removed when the formation of the lateral wellbore is complete.

Please replace paragraph [0042] with the following amended paragraph:

[0042] In another embodiment depicted in Figure 9, a [non-]rotating straight liner [2]400 is provided with a rotary steerable mechanism [2]405 and a mill/drill [2]410 disposed at a lower end thereof. [The mill/drill 210 rotates independently of the non-rotating liner and is powered either with a downhole motor disposed within the liner in a separate string or a rotating unit at the surface of the well.] The rotary steerable mechanism [2]405, like those described herein has selectively extendable pads [2]407 which exert a force against the casing wall [1]420, of the central wellbore, biasing the mill/drill [2]410 therebelow in a direction where the window is to be formed in the casing wall and formation of the lateral wellbore is to begin.

Please replace paragraph [0043] with the following amended paragraph:

[0043] In this embodiment, the assembly is lowered into the well to a predetermined depth and thereafter, the [200] liner 400 and mill/drill [2]410 rotate as the mill/drill [2]410 is urged against the wall of the casing [2]420 biased by the rotary steerable mechanism

405[207]. The mill/drill [2]410 forms a window in the casing and then the assembly, including the rotating liner [2]400, is urged through the window and the lateral wellbore is formed. After the wellbore is formed, an MWD device (not shown) which is located on a separate tubular string within the liner is removed and the fixed mill/drill is left in the lateral wellbore.